

Brazil, Russia, China, India: How the Waking Giants are Reshaping the World

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Emerging Markets

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Deutsche Bank Research



Agenda

1

BRIC overview

2

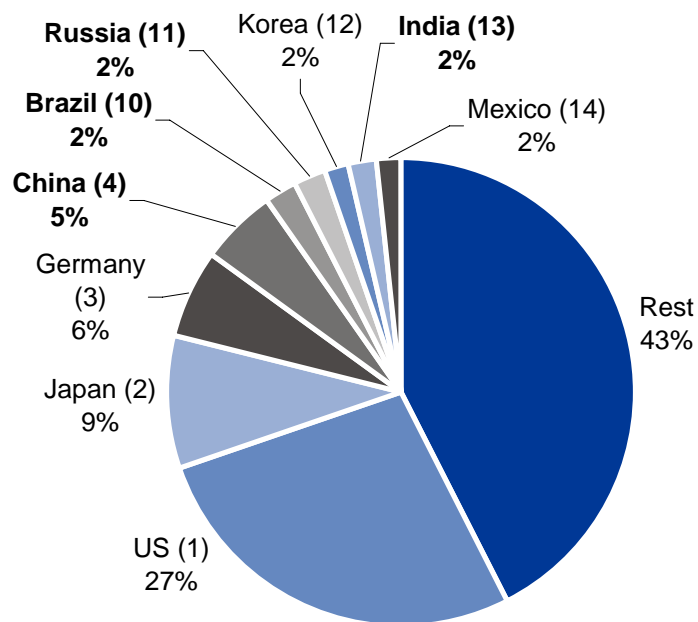
Implications of the rise of BRIC



BRIC: Giants by economic and population size

Nominal GDP

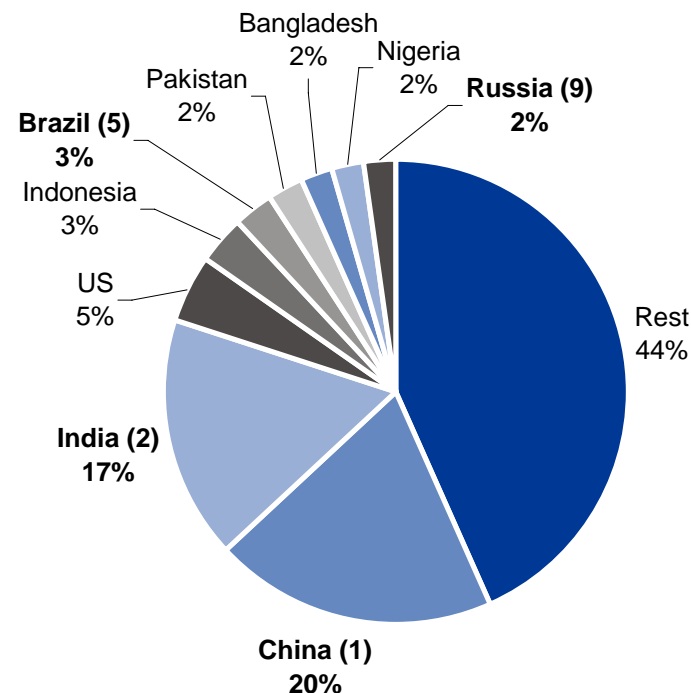
% world total



Source: IMF

Population

% world total



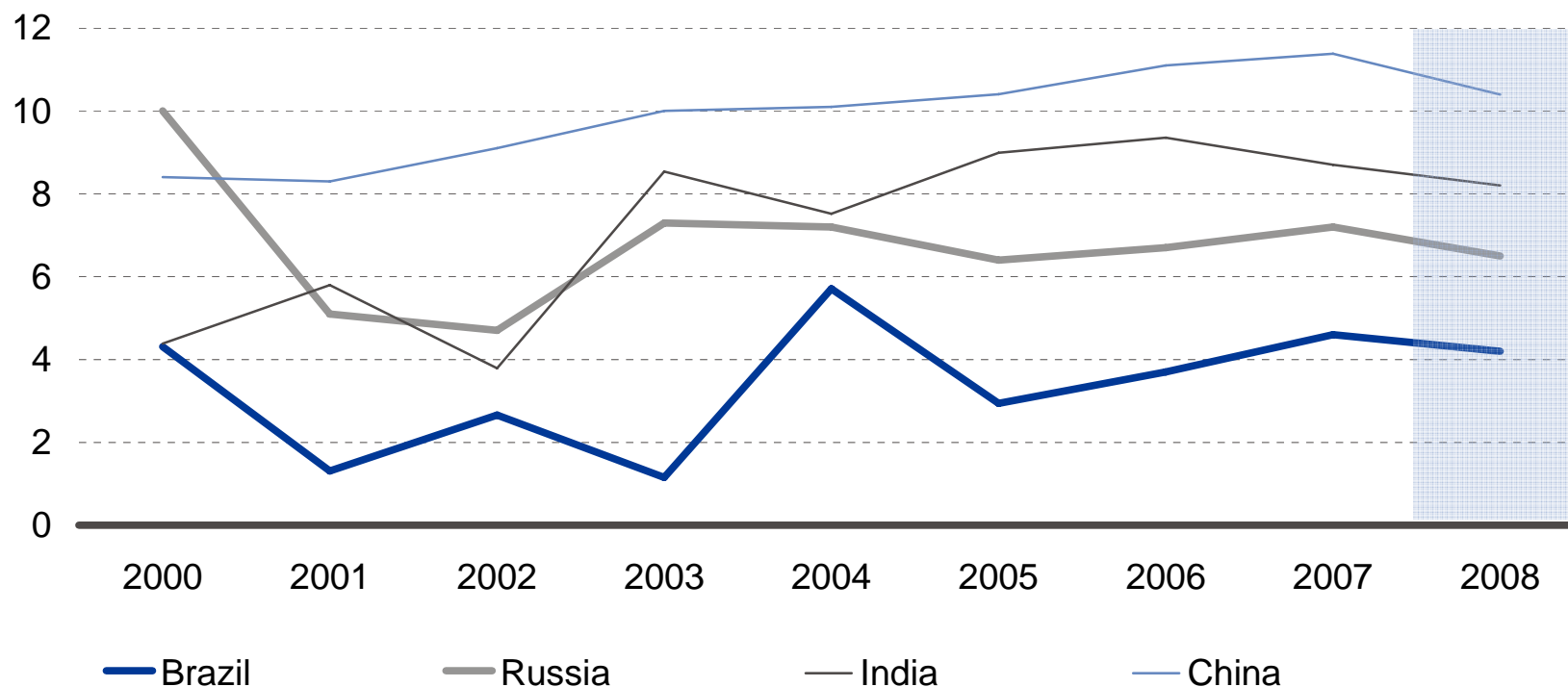
Source: IMF



Giants are growing fast, even laggard Brazil

Real GDP growth

%



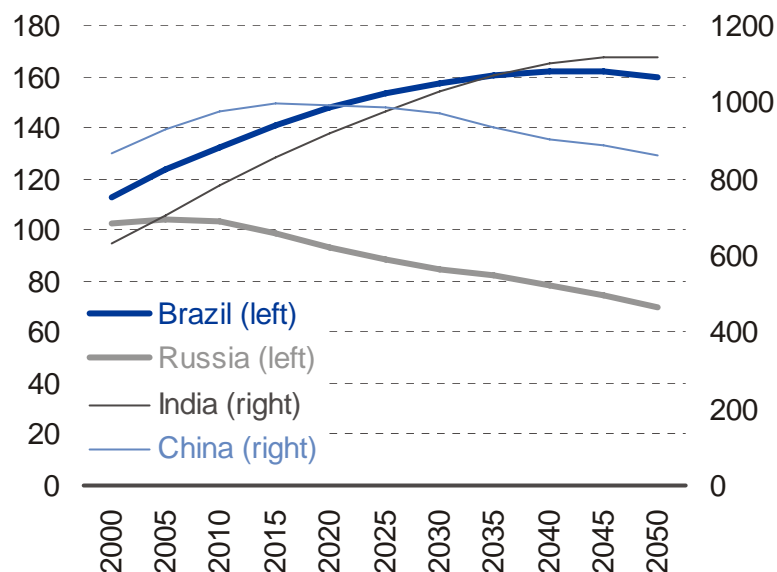
Source: DB Research



Medium-term growth drivers give edge to India

Demographics favour India and Brazil

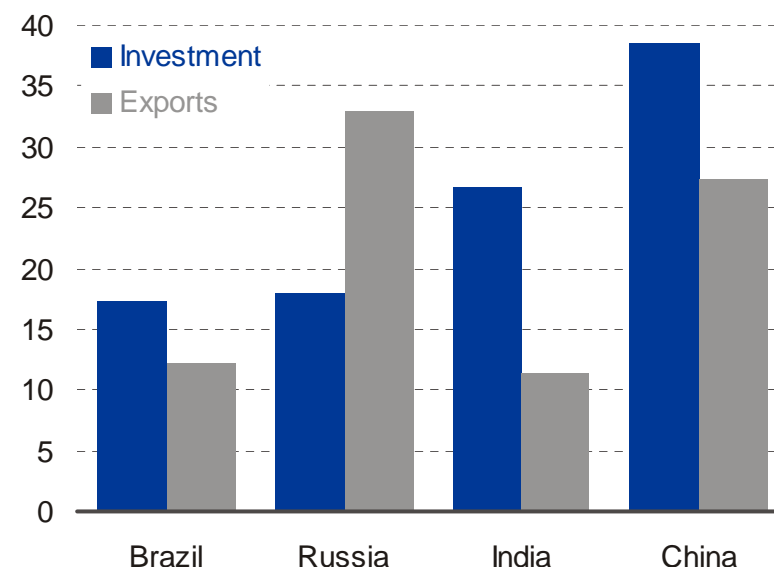
Working age population, million



Source: UN

A mixed picture in investment and openness

% of GDP, average 2000-2006



Sources: IIF, DB Research



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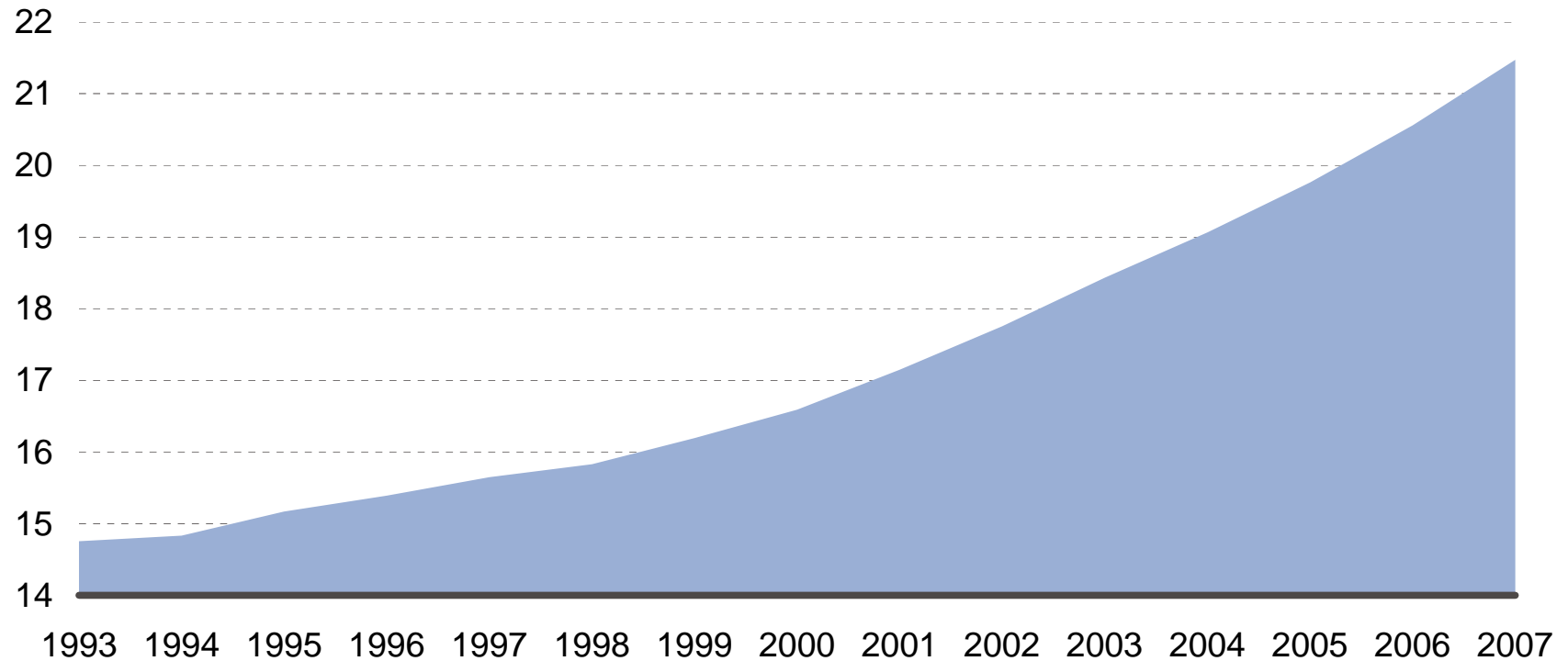
Implications of the rise of BRIC



World to grow faster thanks to BRIC

BRIC's share of world GDP

% (based on PPP)



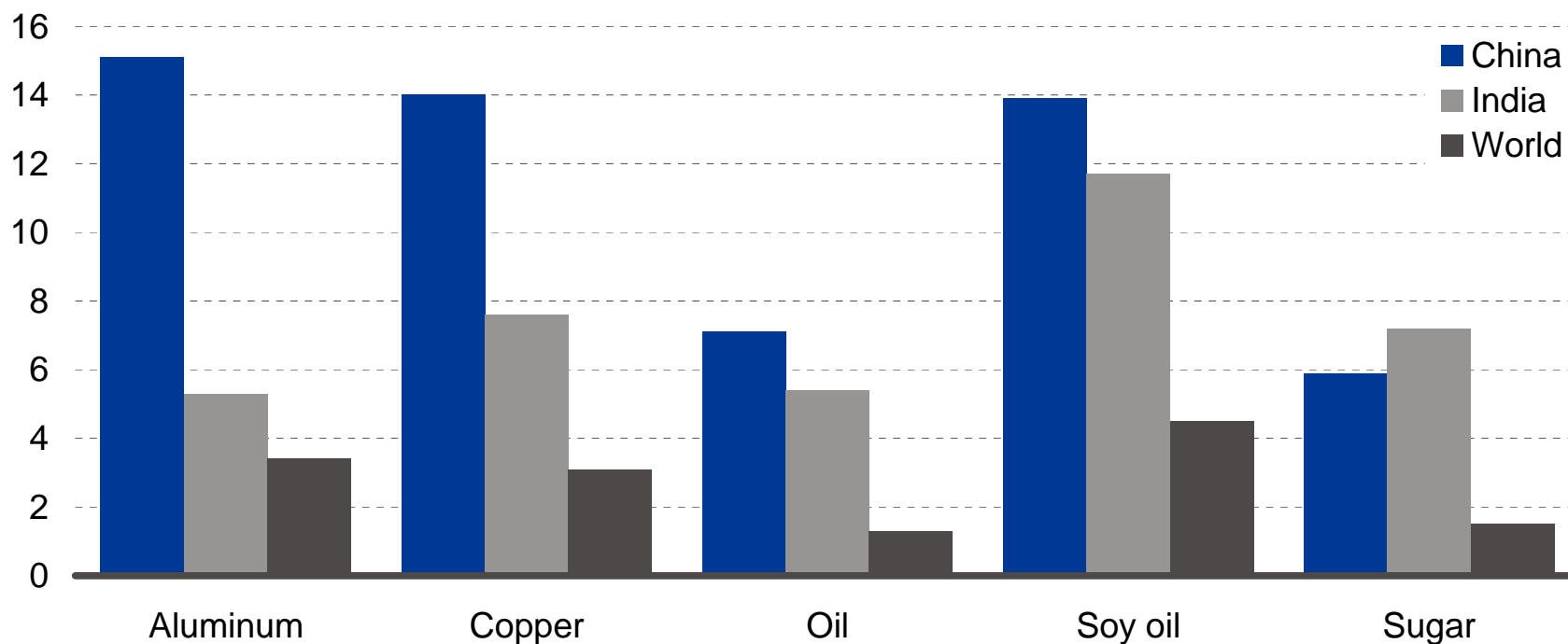
Source: IMF



Structural change in commodity markets

Commodity consumption growth

% p.a.*



*Aluminum and copper 1990-2005, rest 1990-2003.

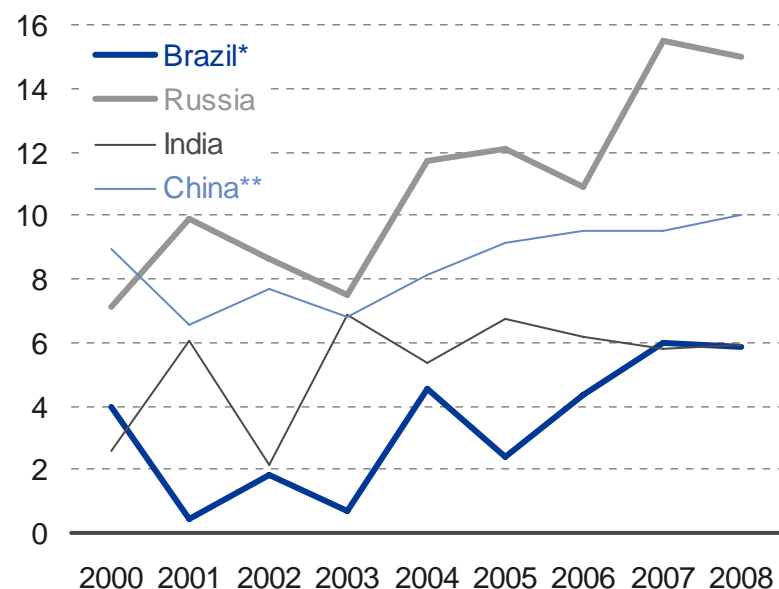
Source: World Bank, Development Prospects Group (mimeo)



Opportunities for Western firms...

Private consumption is soaring

% yoy

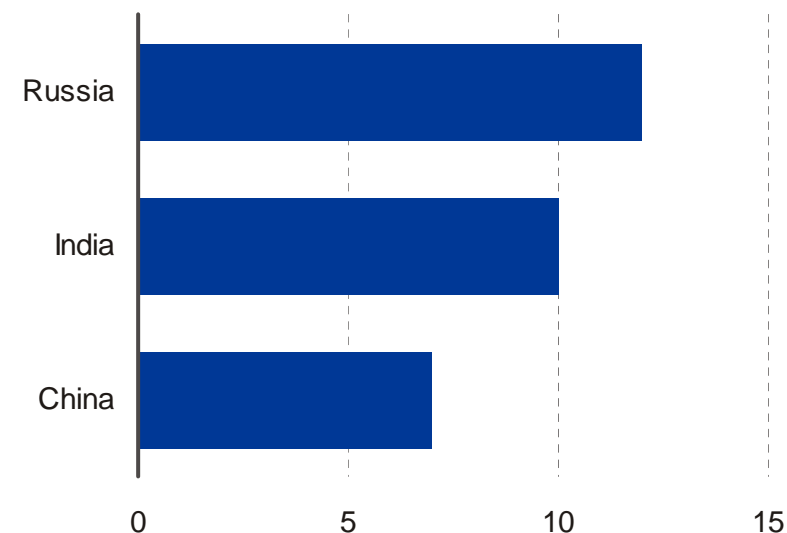


*Total consumption. **Household consumption.

Source: IIF

Good chances for German machinery exporters

Deliveries of German machinery, % p.a.
2007-2015, nominal



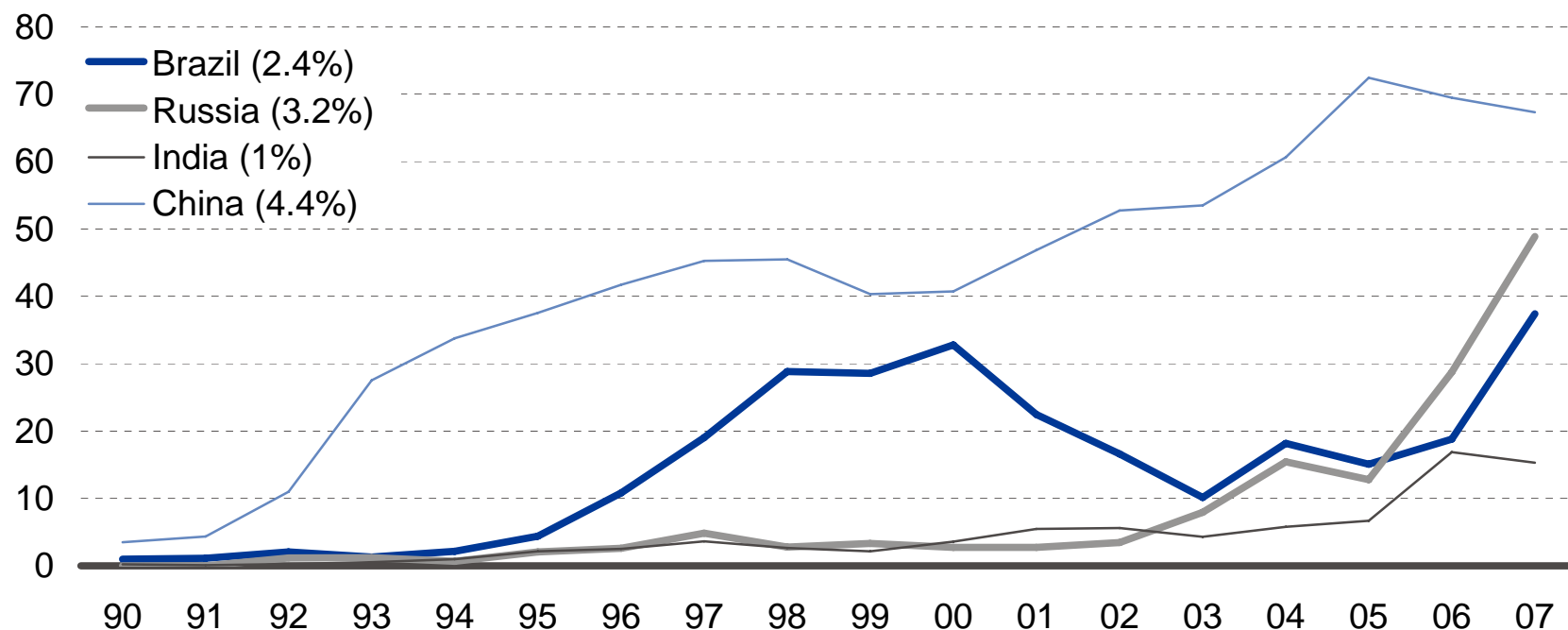
Source: DB Research



... reflected in soaring foreign direct investment

FDI inflows

USD bn*



*Numbers in brackets indicate the share of world FDI inflows in 2007.

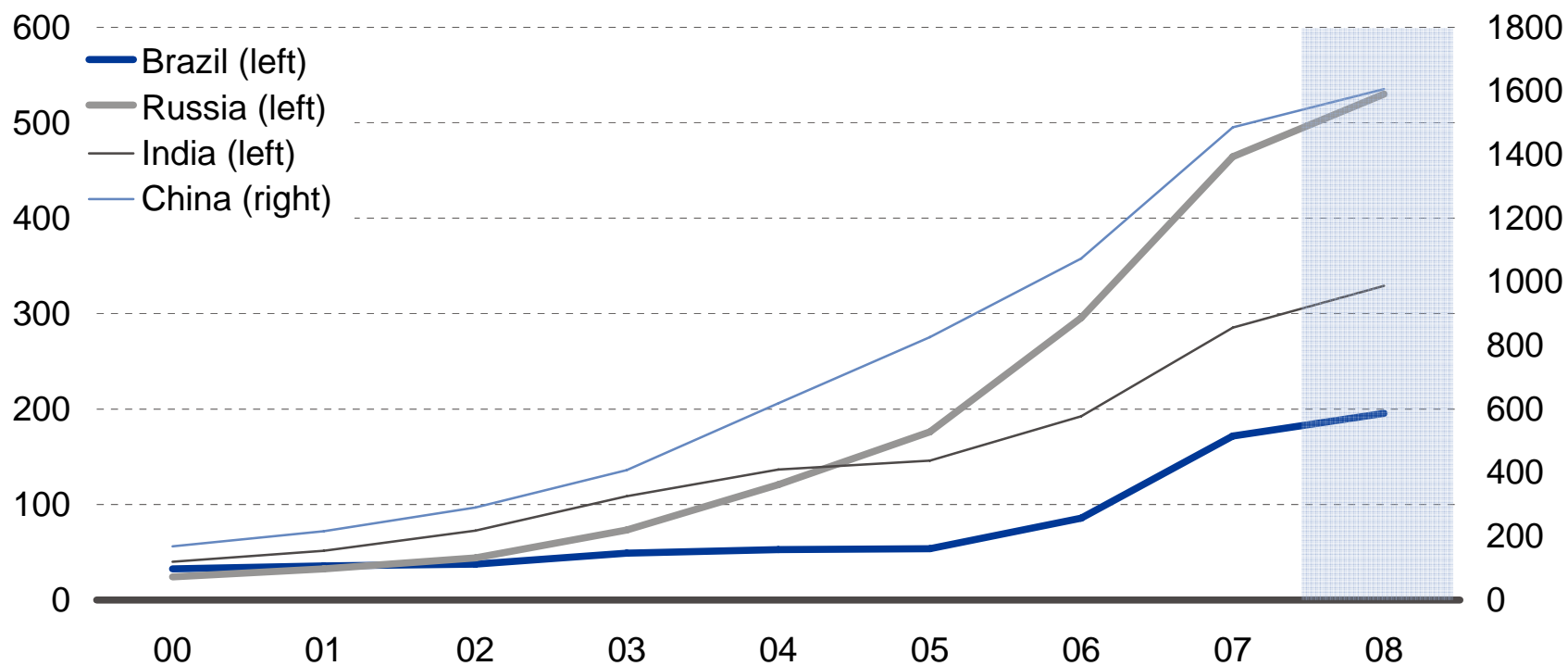
Source: UNCTAD (Data for 2007 preliminary)



BRIC are becoming financially strong...

FX reserves

USD bn eop



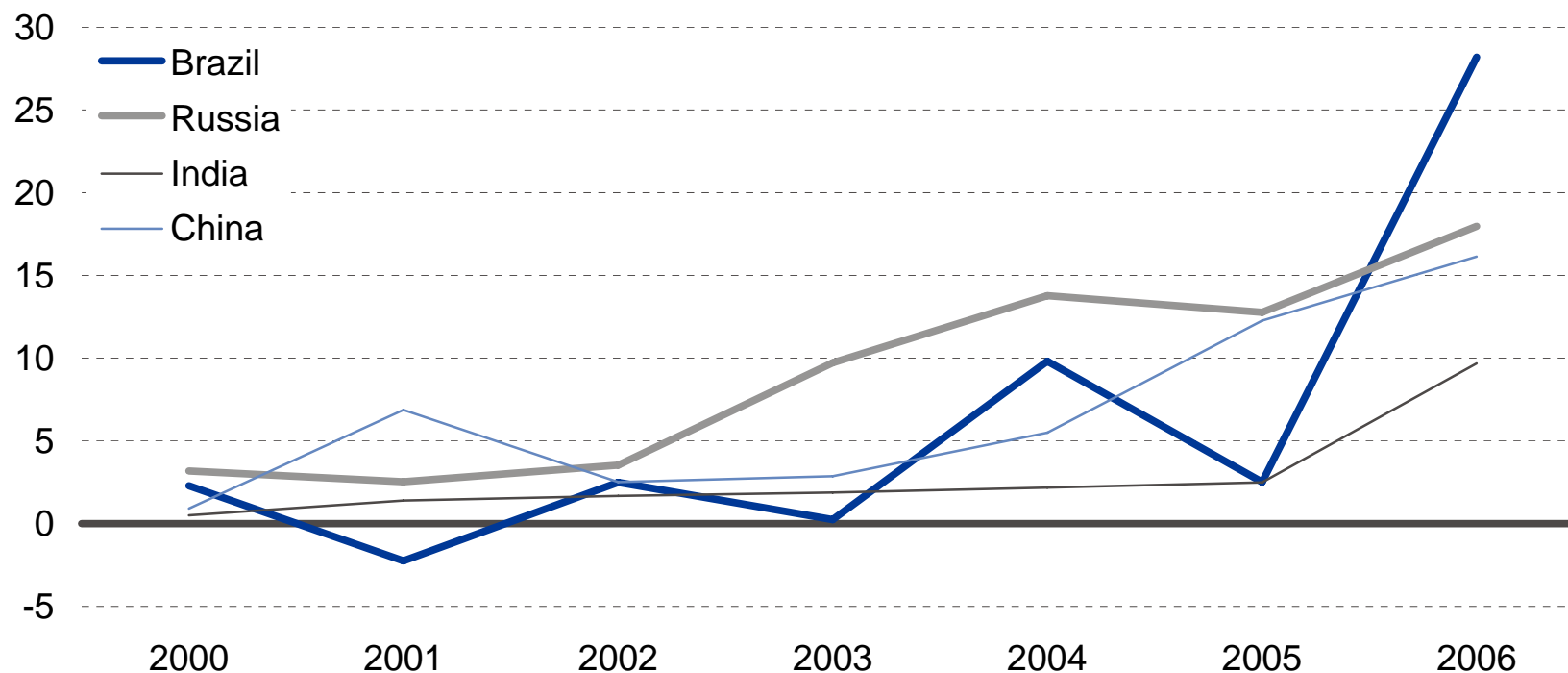
Source: DB Research



... and have started to invest abroad

FDI outflows

USD bn



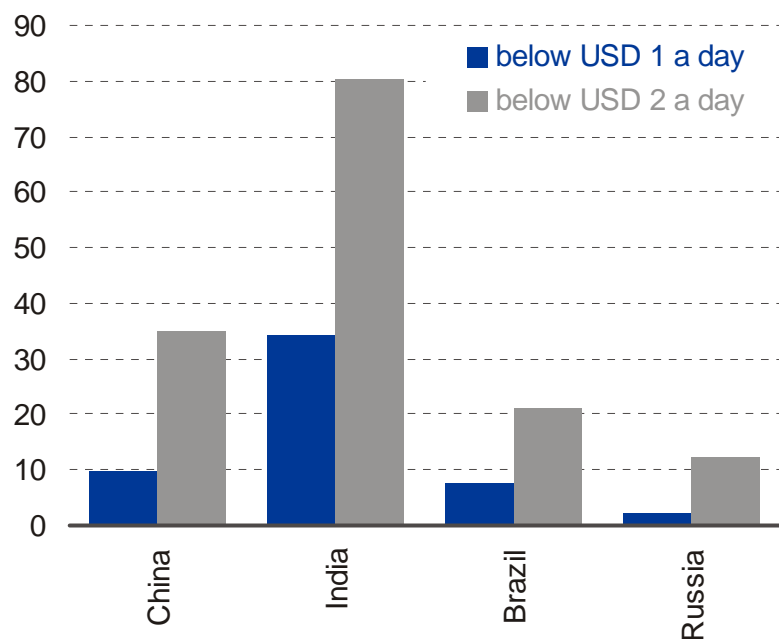
Source: UNCTAD



Poverty down, inequality up?

Poverty: huge differences

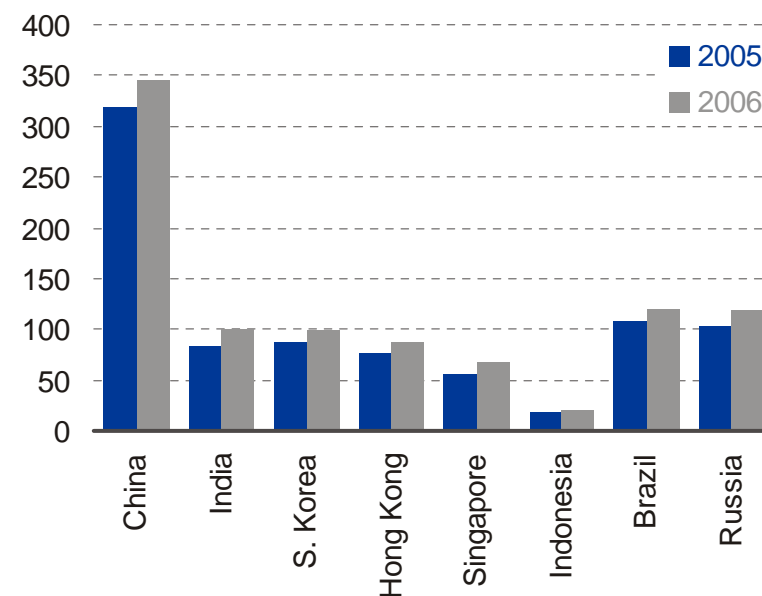
Poverty headcount ratio, % of total population



Source: World Bank WDI 2007

Growing number of USD millionaires

'000



Source: Merrill Lynch & Capgemini



Rise of EM / BRIC poses new challenges to the world

- Environmental issues reach a new dimension
- Political systems in China and Russia vs Western democracy paradigm
- BRIC / EM trade and financial strength increases protectionist pressures
- Political, regulatory risks become strategic as companies deploy own capital in EM
- BRIC story captures imagination because it is proxy for shifting world power centres
- But: Global power shift should not be overestimated
 - BRIC's growth and development trajectories will likely not be linear
 - G-3 will retain the lead for a while yet



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Country Infobase

Economic indicators for over 50 countries worldwide, including more than 30 emerging market countries in Asia, Eastern Europe, the Middle East, Africa and Latin America.



Megatopic Asia

Understanding Vietnam

A look beyond the facts and figures

Vietnam has been (re)discovered by the international investor community based on its potential as a new marketplace and possible diversification alternative to China. Our growth forecast model foresees Vietnam remaining in the same growth league as China and India until 2020 due to strong fundamentals. Manufacturing, IT outsourcing, tourism, and banking have attracted significant foreign investor interest. Capital markets, although still maturing, have delivered substantial returns. However, the legal system and general governance framework are in need of improvement and macroeconomic risks and the potential for social unrest need to be monitored. [\[more\]](#)

► [Megatopic Asia](#)


Focus Africa

Africa's natural resources in the spotlight again

Africa is back in the limelight - and by no means only South Africa. By riding the commodity wave, Sub-Saharan Africa recorded real GDP growth rates of 6% p.a. over the last two years and will likely continue to grow at a similar pace this year. FDI inflows surged to record levels last year as a result of large investments in oil-rich countries and buoyant cross-border M&A activity. But natural resources are not the only factor attracting

Megatopic Latin America

Brazil: From serial defaulter to net external creditor




Brazil is set to become a net external creditor by 2009. Brazil just about averted a sovereign default during the 2002 economic and financial crisis. But over the past five years, Brazil's economic situation and stability have improved dramatically. The public sector became a net external creditor in 2006. The economy as a whole will become a net external creditor by 2008-09 on the back of rapid FX reserve accumulation. A solid current account position and continued net (direct) equity inflows over the next couple of years will lead to a further improvement in the economy's net external position... [\[more\]](#)

► [Megatopic Latin America](#)

Focus Eastern Europe

Banking in South Eastern Europe: Moving into the spotlight



SEE banking sector assets (in EUR terms) will more than double until 2011 - underpinned by solid economic growth, progress with macroeconomic stabilisation, prospective EU/EMU membership and not least still very low levels of financial intermediation. The retail sector is expected to remain the main engine of growth, but more sophisticated retail products like investment funds and old-age provisioning will gain in importance. While the current rapid credit growth poses a risk to financial stability, strong foreign ownership, sufficient capitalisation, still benign levels of non-performing loans and prudential and regulatory tightening measures by the central banks mitigate this risk. [\[more\]](#)

► [Russia's financial sector: Financial deepening will support long-term growth](#)

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Focus Eastern Europe

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Weekly economic & financial market round-up

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